

**IOWA RACING AND GAMING COMMISSION  
MINUTES  
NOVEMBER 17, 2016**

The Iowa Racing and Gaming Commission (IRGC) met on Thursday, November 17, 2016 at the Honey Creek Resort in Moravia, Iowa. Commission members present were Richard Arnold, Chair; Kris Kramer, Vice Chair, and member Carl Heinrich. Commissioner Jeff Lamberti participated via telephone. Commissioner Dolores Mertz was absent.

Chair Arnold called the meeting to order at 8:30 AM and moved to the approval of the agenda, noting that Item 6B has been deferred. He requested a motion to approve the agenda as amended. Commissioner Kramer so moved. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold welcomed everyone to Honey Creek and stated it is Iowa's best kept secret and wanted everyone to see it. He called on John Glenn, CEO/Administrator of the Rathbun Regional Water District (RRWA), who welcomed the Commission to the facility and provided some background on the RRWA.

Mr. Glenn stated RRWA is the largest rural water district in Iowa, and one of the largest in the United States. The service territory goes west into Decatur and Clarke Counties and extends east to the Mississippi River. He stated Rathbun Lake is very important to southern Iowa as it provides water to approximately 80,000 people on a daily basis. Mr. Glenn advised that 80% of the water sold by RRWA comes from the lake; however, they do purchase water from Burlington, Fort Madison and Keokuk. RRWA sells water to over 20,000 individuals, 39 communities, and four rural water districts in Missouri. Noting that local communities were required to fund approximately \$4 million of the cost of the project, Mr. Glenn stated RRWA put the entire water infrastructure into the resort, including water for irrigation of the golf course, which was donated to the project and State of Iowa at a cost of approximately \$900,000.

Mr. Glenn stated another organization, Rathbun Land and Water Alliance, was organized and has put together an extensive watershed project to protect the lake and improve the water quality. There are 354,000 acres that drain into the lake. The alliance has a targeted approach, and over the last seven years, they have done over \$25 million worth of work in the watershed, with \$4.5 million coming from the landowners and partners located within the watershed.

Chair Arnold moved to the approval of the minutes from the October 13, 2016 Commission meeting, and requested a motion. Commissioner Heinrich moved to approve the minutes as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on Brian Ohorilko, Administrator of IRGC, for announcements. Mr. Ohorilko provided the following information regarding future Commission meetings:

- December – No Meeting

- January 5, 2017 – Isle Casino Hotel Waterloo, Waterloo (Submissions due by December 21, 2016)
- February – No Meeting
- March 7, 2017 – Prairie Meadows Racetrack & Casino, Altoona, IA (Submissions due by February 21, 2017)

Mr. Ohorilko reminded everyone the March meeting falls on a Tuesday. He also introduced Tina Eick, the new Director of Operations, who will be replacing Karyl Jones when she retires after the first of the year.

Chair Arnold moved to the contract approval portion of the agenda and called on Dubuque Racing Association, Ltd. (DRA). Brian Rakestraw, Assistant General Manager, presented the following contracts for Commission approval:

- Carver & Associates – Hilton Room Renovation
- Reliable Technologies – Microsoft Contracts and Hardware

Hearing no comments or questions concerning the contracts, Chair Arnold requested a motion. Commissioner Kramer moved to approve the contracts as submitted by DRA. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on SCE Partners, LLC d/b/a Hard Rock Hotel and Casino Sioux City (HRHCSC). Mike Adams, Director of Marketing and Hotel Operations, presented a contract with United Health Care for group health insurance.

Hearing no comments or questions concerning the contract, Chair Arnold requested a motion. Commissioner Heinrich moved to approve the contract as submitted by HRHCSC. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on Grand Falls Casino and Golf Resort, LLC (GFCR). Dan Franz, General Manager at Riverside Casino & Golf Resort, presented the following contracts for Commission approval on behalf of GRCR:

- Billion Automotive – Marketing and Slot Promotions
- Brockway Mechanical & Roofing – Mechanical Maintenance Agreement (RP)
- Wells Fargo – 401(K) Plan Record Keeper/Custodian
- Wells Fargo Merchant Services – Credit Card Processing

Hearing no comments or questions concerning the contracts, Chair Arnold requested a motion. Commissioner Kramer moved to approve the contracts as submitted by GFCR. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on Rhythm City Casino, LLC (RCC). Mr. Franz presented the following contracts for Commission approval on behalf of RCC:

- Atlantic Bottling Company Coca Cola – Coca Cola Beverage Agreement
- Legacy Corporation of Illinois – Construction: Site Utilities
- Wells Fargo – 401(K) Plan Record Keeper/Custodian

Hearing no comments or questions concerning the contracts, Chair Arnold requested a motion. Commissioner Kramer moved to approve the contracts as submitted by RCC. Commissioner Lamberti seconded the motion, which carried unanimously.

Chair Arnold called on Riverside Casino and Golf Resort, LLC (RCGR). Mr. Franz presented the following contracts for Commission approval:

- Atlantic Bottling Company Coca Cola – Coca Cola Beverage Agreement
- Cardmember Services through Peoples Bank – Credit Card Purchases
- CIT Charters, Inc. – Bus Charter Transportation
- Kluesner Construction, Inc. – Asphalt Overlay and Repair
- Low Tide, LLC – Aircraft Rental Payments (RP)
- OneNeck IT Solutions, LLC – Pre-paid Block of Hours: Network & Systems
- University of Iowa Hospitals and Clinics – Medical Health Plan Costs
- Wells Fargo – 401(K) Plan Record Keeper/Custodian

Hearing no comments or questions concerning the contracts, Chair Arnold requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by RCGR. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on Catfish Bend Casinos II, LLC (CBC). Rob Higgins, General Manager, presented the following contracts for Commission approval:

- Cummins Allison – Purchase Count Room Equipment and Related Service Plans
- Atlantic Coca Cola – Purchase of Coca Cola Products
- Fleck Sales – Purchase of Beer
- Employee Benefit System – Purchase of Employee Health Insurance
- Nationwide Life Insurance/Kidder Benefits – Employee 401(K) Match
- Martini's – Purchase Complimentary Meals (RP)
- Golden Eagle – Purchase of Beer
- Spirit Hollow Golf Course – Complimentary Green Fees for Various Promotions (RP)
- W.R. Faeth Wholesale – Purchase of Cigarettes

Hearing no comments or questions concerning the contracts, Chair Arnold requested a motion. Commissioner Kramer moved to approve the contracts as submitted by CBC. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on Wild Rose Jefferson, LLC (WRJ). Tom Timmons, Vice President of Operations, presented the following contracts for Commission approval:

- Cobblestone Hotel – Leasing of Hotel Rooms
- Goldfinch Entertainment – Parent Company – Management Fees (RP)
- Great West Trust – 401K Benefit Plan
- Reynolds & Reynolds – Broker for Property Insurance
- The Printer Inc. – Printing Company for Mailers
- US Postal Service – Postage for Mailers from The Printer Inc.
- Wild Rose Entertainment – Affiliated Company - Ownership Distributions & Misc. Expenses (RP)

Chair Arnold asked if the contracts with Goldfinch Entertainment and Wild Rose Entertainment were new fees, old fees, or if there had been changes. Mr. Timmons explained Goldfinch is the parent company of WRJ, while Wild Rose Entertainment is the parent company of the other two properties. These are continuations of previous fees.

Hearing no further comments or questions concerning the contracts, Chair Arnold requested a motion. Commissioner Kramer moved to approve the contracts as submitted by WRJ. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on Prairie Meadows Racetrack & Casino, Inc. d/b/a Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer and Derron Heldt, General Manager and Director of Racing respectively, were present to address the agenda items. Mr. Heldt advised on-track handle was down 9.5%, or \$61,000 less than last year. He noted the majority of the decline occurred on the last Saturday with the special post time for the Quarter Horse Championship. Off track handle was down approximately 29%. He attributed the decline to the change in post time to 5:30 on Friday. Mr. Heldt stated most of the major racetracks, particularly in California, are looking for tracks racing later in the day and do not take any daytime racetrack signals. Additionally, TVG usually carries a few of PMR&C's races, but did not carry any this past season due to the change in post time. Mr. Heldt stated the issue has been addressed for the upcoming 2017 season and they have made some post time changes in the 45-day plan. He stated they are sticking to the post times for Saturday and Sunday for another year to collect additional data. Field sizes this year were down slightly to 7.7 horses from 7.9 last year. Catastrophic injuries were flat; there were two this year. Mr. Heldt noted the industry standard is about one per one thousand horses that participate. He stated PMR&C continues to train the track superintendent and staff to insure the track surface is safe for both humans and horses.

Mr. Heldt stated they ran more Iowa-bred races for quarter horses this year than they have the previous three years. The Iowa breeders have stepped up and are breeding and racing better quality horses at PMR&C. He advised the Owner of the Year was Tom Scheckel from Bellevue, who became involved in racing on the quarter horse side approximately two years ago. In addition to being an owner, he is also breeding quarter horses which are racing at various tracks around the country.

Chair Arnold moved to the approval of the 45-day plan, noting he was going to ask about the changes in the post times. Mr. Heldt stated the post time has changed from 5:30 PM to 6:00 PM on the thoroughbred calendar as well. Post times for special races have also been changed from

1:00 PM to 4:00 PM. They have also changed the post time for the Iowa Classic Day and Championship races from 1:00 PM to 4:00 PM as he feels the atmosphere is better later in the day and will help increase handle.

Hearing no further comments or questions concerning the 45-day plan, Chair Arnold requested a motion. Commissioner Kramer moved to approve the 45-day plan.

Commissioner Lamberti asked if there were any staff contingencies or recommendations regarding the 45-day plan. Chair Arnold indicated there were, and read the following into the record:

- The immediate written notification of any change in racing official positions.
- The completion of necessary IRGC licensing and DCI background checks of officials.

Commissioner Heinrich seconded the motion, which carried unanimously.

Mr. Palmer presented the following contracts for Commission approval:

- Copy Systems (Bankers Leasing) – Printing Equipment
- Infomax Office Systems (Canon) – Printing Equipment
- Laser Resources (DeLage Landen) – Printing Equipment
- Networks, Inc. – Computer Equipment
- True North Companies – Insurance Brokerage Services
- US Foods – Food, Equipment and Supplies

Hearing no comments or questions concerning the contracts, Chair Arnold requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by PMR&C. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold moved to the hearing before the Commission and called on Mr. Ohorilko. Mr. Ohorilko advised that Commission staff and RCGR management have entered into a Stipulated Agreement for a violation of Iowa Code 99F.4(22), the laws relating to the statewide self-exclusion program. He stated an individual completed the self-exclusion form at RCGR on November 16, 2013, and was added to the player database on November 17, 2013. The individual entered RCGR on August 17, 2016; approached the Resort Club desk and was allowed to open a new player's club account, which would trigger the referral to the Commission. Mr. Ohorilko advised the individual did not gamble. An internal audit by Riverside discovered the new player's club account on August 26<sup>th</sup>, and the matter was reported to the Commission. Mr. Ohorilko advised RCGR acknowledges the above constitutes a violation of Iowa Code 99F.4(22), and has agreed to an administrative penalty between \$3,000 and \$20,000. He stated this is the third offense in the last 365 days.

Mr. Franz stated he was troubled by the fact that this represents the third incident in the past 365 days as they take their responsibility with regard to problem gambling very seriously. He advised the facility feels they have good procedures in place that should prevent this situation.

He noted the individual wanted a \$3.00 discount off the buffet, and to get the discount, a player's club account is required. The employee entered the information into the system, which does a check against banned patrons; the box came up to indicate a potential banned patron. The employee failed to follow procedures, including getting a supervisor to review the information before moving forward. Mr. Franz stated the facility did some additional training following the second incident.

Commissioner Heinrich asked if a different employee was involved in each incident. Mr. Franz advised it was not, the same individual was involved in two of the incidents, and one incident involved a cage employee. This incident is the second offense for the same employee, noting he is on final written warning, and was following the first incident. Mr. Franz noted normal procedure would be to terminate the employee for this incident; however, he indicated there were some extenuating circumstances surrounding this incident.

Mr. Franz stated the only thing left to do besides having a supervisor check each player's card application is to determine if the system has the ability to lock up when a possible banned patron comes up and require the supervisor signature or approval. This step would require a review by Konami to determine if it is possible.

Chair Arnold stated he was happy to hear the facility is taking steps to prevent the situation from occurring again. He moved to approve the Stipulated Agreement with an administrative penalty of \$10,000. Commissioner Kramer seconded the motion, which carried unanimously.

As there was no Public Comment, Chair Arnold moved to Administrative Business and the discussion on the intent by Wild Rose Entertainment to file a new gaming application. Commissioner Kramer stated she personally has not changed her mind since the last time this discussion was held. She does not feel the revenues have changed in the state nor is there a great influx of people coming into the state. She feels nothing has changed, but will always listen and keep an open mind.

Commissioner Heinrich noted that anyone has a right to submit an application, but feels one of the Commission's main responsibilities is to insure that the existing operations are successful and not diluted unnecessarily. He stated his feelings are similar to Commissioner Kramer's but also believes it is the Commission's responsibility and obligation to listen, review any application, and obtain any necessary studies needed to make an informed decision.

Commissioner Lamberti stated his comments fall in line with what has already been stated, but noted the Commission does not control applications and people wanting to submit them. He also pointed out the Commission is not requesting them, but needs to deal with the situation in Linn County and also for the rest of the state. Commissioner Lamberti pointed out that anyone considering submitting an application for a license is doing so at their own risk, but the Commission will follow its normal procedures. He noted there is a rumor or discussion of possibly more than one application coming from Linn County which would require the Commission to consider now or in the near future, setting a deadline for applications so that a fair process is established, and what the timeline would be for the application process and

studies. He stated he liked what the Commission did the first time around when they requested two studies in an attempt to get the best information and would like to see the Commission take the same route this time as well. He asked Mr. Ohorilko if he had some thoughts regarding a timeline, procedures, deadlines, etc.

Mr. Ohorilko stated with regard to a Request for Proposal (RFP), the Commission would need to make a motion directing staff to prepare a proposal. In the past, the process has taken approximately 60-75 days to get something out. The Commission would hear presentations at a future meeting to select the vendor to perform the studies. He indicated the presentations could take place at the March 2017 Commission meeting. With regard to receiving applications, Mr. Ohorilko stated the Commission has historically established a time frame of 60-90 days to file an application meaning the applications would be due sometime in February if the Commission elects to make that decision today.

Mr. Ohorilko stated if the Commission follows past timelines, they would need to provide the vendors time to complete the requested studies, then hear applicant presentations and visit the sites, etc.; a decision would not be made until sometime in the fall of 2017.

Chair Arnold asked Commissioner Lamberti if he had further comments. Commissioner Lamberti stated it is up to the whole Commission to decide, but indicated he felt the first order of business would be a motion to direct staff to prepare an RFP. Chair Arnold concurred, stating that he is in agreement with the previous comments. He stated the process needs to be transparent and open. Chair Arnold stated he also questions whether there have been any changes in the last two and a half years. He stated if the process is opened up, there are no guarantees a new license would be approved. He reiterated Commissioner Lamberti's comment that those entities submitting an application are doing so at their own risk.

Chair Arnold requested a motion. Commissioner Lamberti asked for clarification on establishing a deadline for applications, noting that Mr. Ohorilko had mentioned February. He asked if there was a specific date.

Mr. Ohorilko advised he was thinking February 13, 2017, which would put the timeline on a similar schedule to previous application schedules. The date falls on a Monday, giving applicants an opportunity to finalize their application over the weekend.

Commissioner Lamberti moved to direct staff to prepare the RFP and established February 13, 2017 as the deadline for applications in Linn County. Commissioner Heinrich seconded the motion, which carried unanimously.

As there was no further Administrative Business, Chair Arnold thanked everyone for attending and requested a motion to adjourn. Commissioner Kramer so moved. Commissioner Heinrich seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

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JULIE D. HERRICK